Article 1, Section 8 of the U.S. Constitution gives congress the authority to create money and regulate the value thereof.

Congress, through the Agricultural Adjustment Act of 1933, delegated to the President, authority to have the Treasury issue silver certificates in various denominations.

The Silver Purchase Act of 1934 further delegated this Presidential authority to the Secretary of the Treasury – allowing both, the President or the Secretary, to authorize the issuing of silver certificates.

**The Silver Purchase Act of 1934**

(From Annual Report of the Secretary of the Treasury .... 1934, pp. 205-209)

(Public—No. 438—73rd Congress, H. R. 9745)

An act to authorize the Secretary of the Treasury to purchase silver, issue silver certificates, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that the short title of this Act shall be the “Silver Purchase Act of 1934.”

During this time (the 1930s), the Treasury issued silver certificates and the Federal Reserve issued Federal Reserve Notes.

Silver certificates were issued mainly in smaller denominations ($1, $2, $5, and $10). Silver certificates could be produced in any quantity provided the Treasury had enough silver on hand to redeem the certificates.

Because of statutory restrictions contained in 12 USC §418, the Federal Reserve could only print Federal Reserve Notes in denominations of $5 or greater.
“As economic activity grew and prices rose in the 1950s and early 1960s, the need for small-denomination currency grew at the same time that the price of silver increased. The Treasury required silver for the increasing number of Silver Certificates and coins needed for transactions. But the price of silver was rapidly approaching the point that the silver in the coins and in reserve for the certificates was worth more than the face value of the money.” (Source: Congressional Research Service at the Library of Congress, 1996)

“The Silver Purchase Act of 1946 authorized the U.S. Treasury to purchase domestically mined silver at $0.905 (90.5 cents) and to sell its silver holdings at $0.915 (91.5 cents) per ounce.

“Through the first half of the 1950’s, the market price for silver remained below $0.91, so domestic mine operators sold their silver to the Treasury. In the second half of the 1950’s, the continued increase in industrial demand for silver and static mine production resulted in the market price increasing to $0.91 and Treasury silver sales being the largest source of silver for industrial consumers (National Academy of Sciences, 1968).

“In the late 1950’s and early 1960’s, a second component was added to the demand side of the supply-demand equation—the investor-speculator. The silver certificates authorized by the Silver Purchase Act of 1934 were redeemable for silver held by the Treasury. With a market value price above $1.29, a profit could be made by redeeming silver certificates, receiving 0.77 ounce of silver from the Treasury, and then selling the silver. In addition, at a market price above $1.38, a profit could be made by melting U.S. circulating coinage for its silver content.

“Realizing that it could not continue to supply industrial consumers with silver, mint coinage, and maintain a stock of silver for redemption of silver certificates, the Government began a program to demonetize silver.” (Source: Cambridge Precious Metals, March 2005, History of Silver)

On November 28, 1961, President Kennedy halted sales of silver by the Treasury Department. President Kennedy also called upon Congress to phase out silver certificates in favor of Federal Reserve notes.
President Kennedy repeated his calls for Congress to act on several occasions, including his January 21, 1963 Economic Report, where he wrote:

I again urge a revision in our silver policy to reflect the status of silver as a metal for which there is an expanding industrial demand. Except for its use in coins, silver serves no useful monetary function.

In 1961, at my direction, sales of silver were suspended by the Secretary of the Treasury. As further steps, I recommend repeal of those Acts that oblige the Treasury to support the price of silver; and repeal of the special 50-percent tax on transfers of interest in silver and authorization for the Federal Reserve System to issue notes in denominations of $1, so as to make possible the gradual withdrawal of silver certificates from circulation and the use of the silver thus released for coinage purposes. I urge the Congress to take prompt action on these recommended changes.'
The House of Representatives took up the President’s request early in 1963. From House of Representative Report No. 183, April 3, 1963:

**OBJECTIVES OF THE BILL**

The bill implements recommendations made by the President in his Economic Report to the Congress in January of this year. Its basic objectives are twofold:

1. To afford the Government a sure and substantial supply of silver for its coinage needs by making available for this purpose the stocks of silver bullion backing the presently outstanding $1 silver certificates. This amounts to approximately 1,300 million ounces of silver bullion.

2. To eliminate the obsolete and largely inoperative provisions on the statute books requiring the acquisition and holding of silver in the monetary reserves of the United States, and putting a Government floor price of 90½ cents an ounce under newly mined domestic silver, which is far below the current market price.

On May 23, 1963 the Senate passed Public Law 88-36 by a vote of 68 to 10. This portion of the Law repealed The Silver Purchase Act:

**Public Law 88-36**

**AN ACT**

To repeal certain legislation relating to the purchase of silver, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

**TITLE I—SILVER BULLION, SILVER CERTIFICATES, AND FEDERAL RESERVE NOTES**

This portion of the Public Law 88-36 amended the Federal Reserve Act to allow the Federal Reserve to start issuing Federal Reserve Notes in $1 and $2 denominations:

Sec. 3. The first sentence of the ninth paragraph of section 16 of the Federal Reserve Act (12 U.S.C. 418) is amended by inserting "$1, $2," immediately after "notes of the denominations of".

President Kennedy signed this into Law on June 4, 1963.

There are two very important aspects of this law we must keep in mind:

1. In keeping with President Kennedy's call to phase out silver certificates, the Federal Reserve was now authorized to print Federal Reserve Notes in $1 and $2 denominations to replace the outgoing silver certificates.

2. This law repealed The Silver Purchase Act. Without The Silver Purchase Act, the Treasury Secretary could no longer control the issue of Silver Certificates on his/her own authority.

In order to reinstate the Treasury Secretary with the same authority he/she had prior to the signing of this Law, President Kennedy looked to an executive order signed by President Harry S. Truman.

Executive Order 10289 was signed by President Truman on September 17, 1951. This executive order delegated to the Secretary of the Treasury various powers of the President. None of the powers assigned to the Treasury in E.O. 10289 relate to money or to monetary policy.

President Kennedy signed Executive Order 11110 on the same day he signed Public Law 88-36 (June 4, 1963).

President Kennedy's E.O. modified E.O. 10289, designating and empowering the Secretary of the Treasury "to issue silver certificates against any silver bullion, silver, or standard silver dollars in the Treasury not then held for redemption of any outstanding silver
certificates, to prescribe the denominations of such silver certificates, and to coin standard silver dollars and subsidiary silver currency for their redemption …”

Executive Order 11110 did not create any new authority for the Treasury to issue notes; it simply reinstated an authority the Secretary had prior to the repeal of The Silver Purchase Act in Public Law 88-36.

To summarize thus far: On June 4, 1963, President Kennedy signed Public Law 88-36; repealing the Silver Purchase Act, and with it, repealing the Secretary of the Treasury’s authority to issue silver certificates. On this same day, President Kennedy signed Executive Order 11110 to reinstate the Secretary’s authority. He did this by amending President Truman’s 1951 Executive Order.

It’s important to emphasize, E.O. 11110 did not decree new silver certificates be issued; it only affected who could give the order. To these delegated powers, E.O. 11110 added the power to alter the supply of Silver Certificates in circulation. The purpose of the order was to facilitate the reduction of certificates in circulation, not to increase them.

The Fed began issuing small denomination notes almost immediately after the legislation was passed. In October 1964, the Treasury ceased issuing Silver Certificates altogether.

E.O. 11110 enhanced Federal Reserve power and did not in any way reduce it.
Conspiracies Abound

**Conspiracy Theory:** According to Jim Marrs, author of Crossfire: The Plot that Killed Kennedy, Executive Order 11110 issued by President Kennedy on June 4, 1963 authorized the issuance of $4,292,893,815 in United States Notes in place of Federal Reserve Notes.

Nowhere in the text of the E.O. is a quantity of money mentioned, so it is unclear how Marrs arrived at his $4.2 billion figure. Moreover, the President could not have authorized such a large issue because it would have exceeded the statutory limit set forth in the Agricultural Adjustment Act of 1933, which stipulates a maximum total dollar value of $3 billion.

**Conspiracy Theory:** Marrs speculates Executive Order 11110 was part of a larger plan by Kennedy to dismantle the Federal Reserve by giving the Treasury more power to issue currency, and this alleged attempt to reduce the influence of the Federal Reserve was a catalyst for Kennedy’s assassination.

Nothing in E.O. 11110 increased or decreased the powers of the Treasury. The Treasury Secretary had the power to issue silver certificates from 1934, when The Silver Purchase Act became law, until June 4, 1963 when Public Law 88-36 was signed into law and repealed The Silver Purchase Act. When JFK issued E.O. 11110, he modified an existing Executive Order (10289) to reinstate the powers that were repealed when he signed Public Law 88-36. The Treasury had the same exact powers after E.O. 11110 as it had before E.O. 11110 – no more, no less.

**Conspiracy Theory:** Executive Order 11110 took power away from the Federal Reserve.

If we read from House of Representative Report No. 183, April 3, 1963 regarding Public Law 88-36, it is abundantly clear this legislation, and the Executive Order, intended to remove silver certificates from circulation and replace them with Federal Reserve notes:

> Since November 29, 1961, the Treasury has been retiring silver certificates in the denominations of $5 and $10 and utilizing the silver so released for the coinage of subsidiary silver coins. However, the supply of silver backing silver certificates is limited. As of January
Ironically, and flying in the face of conspiracy theories, the passage of Public Law 88-36 and E.O. 11110 enhanced Federal Reserve power by shifting the control of our money from the Treasury to the Federal Reserve by systematically removing silver certificates from circulation and replacing them with notes from the Federal Reserve.

By October 1964, the Treasury ceased issuing Silver Certificates altogether. Power to the Feds!

Sources:

- House of Representative Report No. 183, April 3, 1963: [http://tinyurl.com/5sd6ovz](http://tinyurl.com/5sd6ovz)
- The Silver Purchase Act of 1934: [http://tinyurl.com/65637me](http://tinyurl.com/65637me) (PDF, page 384)
- Agricultural Adjustment Act of 1933: [http://tinyurl.com/6hzku7t](http://tinyurl.com/6hzku7t) (PDF)
- Public Law 88-36: [http://tinyurl.com/5tsob3r](http://tinyurl.com/5tsob3r)
- Executive Order: [http://tinyurl.com/6bd84d8](http://tinyurl.com/6bd84d8)
- Executive Order 11110: [http://tinyurl.com/3koblr](http://tinyurl.com/3koblr)